REMARKS

Claims 15 and 20 have been amended. Support for the limitations are found throughout the specification. No new matter has been entered. Claims 15, 20, 22 and 24 remain in the Application. A request for further continued exam accompanies this amendment. Further examination and reconsideration of the Application is hereby requested.

In Sections 2 - 4 of the Office Action, the Examiner rejected claims 15, 20, 22 and 24 under 35 USC 101 asserting that the claimed invention is directed to non-statutory subject matter. The Applicants respectfully traverse this statement but to further prosecution the Applicants have amended claims 15 and 20 to more specifically tie the process to a particular apparatus (the consumable article. valve, memory, and network). Further, the underlying subject matter of the consumable item is transformed to "royalty based content." The use of the consumable item in the consumable article is controlled by "a valve" in proportion to the based on the expended portion of currency "in a memory device" to create a "collateral security." The consumable article is transformed from being able to produce content for the entire consumable item by preventing use of the portion of the consumable item in proportion to the amount of expended portion of currency. Accordingly, not only is the method performed on a particular apparatus, "the consumable article," the "consumable article" is transformed in its physical state by the control of the valve. Further for claim 15, the method uses a "network" to make a payment representing the expended portion of currency and after payment, the encumbrance created by the collateral security is allows use of the portion of the consumable item by the valve. Again there is particular apparatus called out (the network and valve) and transformation of the consumable article's ability to use the consumable item. Similarly for claim 20, the valve and network are used to allow for bartering of the consumable item. Withdrawal of the rejection under 35 USC 101 is respectfully requested.

Claim rejections under 35 USC 103(a)

In Section 7 of the Office Action, claims 15, 20, 22, and 24 were rejected under 35 USC 103(a) as being unpatentable over Biscoe, in view of Bertis et al. Applicants respectfully traverse this rejection. The Supreme Court recently addressed the issue of obviousness in KSR Int'l Co. v. Teleflex Inc., 127 S.Ct. 1727 (2007). The Court stated that the Graham v. John Deere Co. of Kansas City, 383, U.S. 1 (1966), factors still control an obviousness inquiry. Those factors are: 1) "the scope and content of the prior art"; 2) the "differences between the prior art and the claims"; 3) "the level of ordinary skill in the pertinent art"; and 4) objective evidence of nonobviousness. KSR, 127 S.Ct. at 1734 (quoting Graham, 383 U.S. at 17-18).

With regard to the first factor regarding the scope and content of the prior art, Briscoe discloses a "coinstick" which is a virtual (a simulated or non-physical) representation of a series of digital micro-payment tokens. Berstis discloses a pair of certified devices to operate within the context of a given security protocol to manage copies of a digital file and associated copy control info.

With regard to the third factor regarding the level or ordinary skill in the art, the Examiner previously addressed what one of ordinary skill in the art would know by citing Nathan J. Muller's Desktop Encyclopedia of the Internet. However, Applicants' representative would like to note that it is the Inventor's insight of *using the value of the consumable item* (be it ink in an ink cartridge or the energy stored in a battery or any other consumable item in a consumable article) *as either collateral security or barter* to ensure payment of royalty charges for *privileged content reproduced by the use of the consumable item* that together makes it inventive over the various ordinary electronic payment schemes cited in the references made of record. Applicants' note that this concept of using a consumable item to both create privileged content and secure payment (or barter for payment) of its use has not been shown to be disclosed, taught, or suggested by the Desktop Encyclopedia of the Internet.

With regard to the second factor with respect to differences between the prior art and the claims, neither Briscoe or Berstis disclose as in claim 15 of "*expending a portion of the currency as a royalty to create privileged content*" and

"*preventing the use of a portion of the consumable item by a valve in proportion to the amount of expended portion of currency*, thereby creating a collateral security as an encumbrance on the portion of the consumable item" and "after payment, releasing the encumbrance and thereby allowing the use of the portion of the consumable item by the valve." With regard to claim 20, neither cited reference disclose "*creating a digital cash account in a memory device for the consumable item having an amount proportionally related to the amount of the consumable item*" and "*preventing the use of the consumable item in proportion to the reduced amount of the digital cash account of the consumable item*, thereby *bartering a portion of the consumable item for the use of the content.*"

The "coinstick" of Briscoe is really just digital currency which is used to purchase "consumable items" not "create privileged content" such as "a number of pages of personalized news information" (col. 6:10-11). That is, the coinstick is not used to create the privileged content but rather to simply purchase it. Conversely, the Applicants barter or secure the consumable item and prevent the use by a valve of the bartered or secured portion of the consumable item to **create** "privileged content" using the consumable item remaining if there is not digital cash in the account of the consumable item.

With regard to the fourth factor of objective evidence of non-obviousness, Applicants also note that it is improper to combine references where the references *teach away* from their combination. (<u>In re Grasselli</u>, 713 F.2d 731, 743, 218 USPQ 769, 779 (Fed. Cir. 1983)). This principle was cited with approval in the recent Supreme Court decision, <u>KSR</u>. The Supreme Court in <u>KSR</u> discussed in some detail <u>United States v. Adams</u>, 383 U.S. 39 (1966), stating in part that in that case, "[t]he Court relied upon the corollary principle that when the prior art *teaches away* from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious." Accordingly, it remains improper to combine references where the references teach away from their combination.

In claim 20, as amended, as shown in Figs. 2 and 10 and described on pages 9:25-10:10 a method of exchanging payments includes purchasing a consumable article having a consumable item 32 in step 150 and creating a digital cash account for the consumable item in step 154. The digital cash account has

an amount that is proportionally related to the amount of the consumable item in the consumable article. In step 152 royalty based content is acquired that indicates an owner of the content and an amount of debit charge for use of the content. In step 156, a portion of the consumable item is expended **to recreate the royalty based content** (and not to simply purchase it but to purchase and recreate the content) and such use incurs a debit charge when royalty based content is **recreated**. The digital cash account amount in step 158 is reduced by the amount of the debit charge incurred. The consumable item is prevented from being used by a valve in proportion to the reduced amount of the digital cash account of the consumable item thus bartering a portion of the consumable item for use of the content (see page 4:17-21). In step 160, the digital cash account for the owner of the royalty based content is updated over a network by an amount reduced from the digital cash account for the consumable item 32. Accordingly, the method of claim 20 is directed to using the consumable item as barter for cash. *The ability to use this consumable item both for creating the privileged content as well as an article of value which can be bartered away is believed to be both novel and non-obvious.*

Dependent claims 22 and 24 depend upon claims 15 and 20, as amended, respectively and are directed to an apparatus which includes a consumable item and which the apparatus uses the respective method to exchange payments either by collaterally securitizing the consumable item 32 (claim 15) or using the amount of the consumable item as barter (claim 20).

In particular for the rejection of claim 20, the Examiner states that "Briscoe does not explicitly disclose royalty based content that indicates an owner of the content and the amount of debit charge for using the content; preventing the use of the consumable item in proportion to the reduced amount of the digital cash account of the consumable item, thereby bartering a portion of the consumable item for content." The Examiner then asserts that "Berstis et al. discloses royalty based content that indicates an owner of the content and the amount of debit charge for using the content; preventing the use of the consumable item in proportion to the reduced amount of the digital cash account of the consumable item, thereby bartering a proportion of the consumable item for content." Applicant respectfully traverses that Berstis discloses these limitations. Bertis

discloses that when "the method logs an indication each time the digital file is transferred from the source to a target rendering device, and the count is decremented upon each transfer."

Accordingly, nowhere in Briscoe can Applicants' representative find where Briscoe is "*preventing the use* of a portion of the consumable item by a valve in proportion to the amount of the expended portion of the currency." Rather, conversely, Briscoe *allows for the use* or purchase but not the creation or recreation of the consumable item (reading the news pages) in proportion to the amount of the expended portion of the currency. Accordingly, Briscoe is actually *teaching away* from Applicants' claimed invention. Similarly, in Berstis, "a user establishes a 'prepaid' account from which royalty or usage payments are drawn against as files are copied/transmitted. (col. 10:11-14). Thus, Berstis is *allowing for the use* and not *preventing the use* of the consumable item (paper). Applicants had previously amended claim 15 to make it clear that this *preventing of use* of the consumable item is also "thereby creating a collateral security as an encumbrance on the portion of the consumable item" and for claim 20, "thereby bartering a portion of the consumable item for the use of the content."

The Examiner cites the Berstis reference, generally at column 6, line 43 to col. 7 line 29 that there is a discussion of royalty prepayment for usage of content." However, the Applicants are not claiming "prepaid amount (for "n" copies or per rendering of content)" as disclosed in Berstis but the Applicants are rather creating basically a securitized loan or bartering away a portion of the consumable item in the consumable article that is used to create the privileged content. In Bertis, the user has simply purchased a consumable item to create the privileged content and non-privileged content and nowhere is it disclosed that the consumable item be used as collateral security or barter. It is only when privileged content is created by the consumable item and a royalty charge is then incurred that a user with Applicant's claimed invention can secure payment of the royalty charge by withholding a portion of the remaining consumable item in the consumable article as security for payment. If the payment is never reconciled, then this portion of the consumable item has been bartered away. The inventor's claimed concept is not simply a purchase of a pre-paid amount or per-rendering of content for "n" copies" as disclosed by Berstis and thus claims 15 and 20, as

amended, have not been disclosed, taught, or suggested by the art made of record.

Accordingly, the Applicants request withdrawal of the rejection under 35 USC 103(a) for claims 15 and 20, as amended.

Dependent claims 22 and 24 depend upon claims 15 and 20 respectively and are believed patentable based at least on the patentability of their respective parent claims as discussed above.

Accordingly, claims 15, 20, 22, and 24, as amended, are deemed to be in condition for allowance, and such allowance is respectfully requested.

If for any reason the Examiner finds the Application other than in a condition for allowance, the Examiner is respectfully requested to call Applicants' undersigned representative at the number listed below to discuss the steps necessary for placing the application in condition for allowance.

The Commissioner is hereby authorized to charge any additional fees which may be required, or credit any overpayment to Deposit Account No. 08-2025. Should such fees be associated with an extension of time, Applicants respectfully request that this paper be considered a petition therefore.

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